

March 8, 2002

To the Honorable Chairman  
of the Board of Supervisors  
of the County of Milwaukee

We have completed a follow-up audit of controls associated with the County's purchasing card program administered in part by the Procurement Division of the Department of Administration. The program is also administered by individual County departments who have authorized the use of the purchasing card by staff in their departments. Our involvement in this follow-up audit is in response to a Finance and Audit Committee request at the time of our original audit. Our report addresses purchasing card controls, tracking of Disadvantaged Business Enterprise (DBE) related purchases and includes recommendations to strengthen the program.

A management response from the Procurement Division is included as Exhibit 3. We would like to thank the Procurement Division staff and department purchasing card coordinators for their cooperation in this review.

Please refer this report to the Committee on Finance and Audit.

Jerome J. Heer  
Director of Audits

JJH/cah

cc: Milwaukee County Board of Supervisors  
Janine Geske, Interim County Executive  
Terry Kocourek, Acting Director, Department of Administration  
Carl J. Ciardo, Purchasing Administrator, Department of Administration-Procurement Division  
Rob Henken, Director of Research, County Board Staff  
Lauri J. Henning, Chief Committee Clerk, Milwaukee County Board

# **Follow-up Audit of Purchasing Card Controls**

**March 2002**

## **Committee on Finance and Audit**

**Lynne D. De Bruin, Chairman  
Linda Ryan, Vice-Chairman  
Richard D. Nyklewicz, Jr.  
Lee Holloway  
Robert Krug  
Jim Schmitt  
Joseph L. Davis, Sr.**

## **Milwaukee County Department of Audit**

---

**Jerome J. Heer, Director of Audits**

### **Audit Team:**

Daryl Boyle  
Phyllis Tessner  
Don Leinweber

### **Review Team:**

Jim Goetzinger  
Doug Jenkins

### **Administrative Support Team:**

Emma L. Turner  
Cheryl A. Hosp  
Karen J. Williams

---

# Follow-up Audit of Purchasing Card Controls

---

## Table of Contents

Summary .....	1
Background .....	3
Audit Sections:	
Section 1: Purchasing Card Authorizations .....	7
Section 2: Purchasing Card Transaction Review by Departments.....	9
Section 3: Unauthorized Purchases .....	11
Section 4: Tracking Disadvantaged Business Enterprise (DBE) Purchases .....	16
Section 5: Sharing Cards .....	18
 Exhibit 1 Scope .....	 21
Exhibit 2 Letters to Departments Regarding Breakdown of Controls.....	22
Exhibit 3 Management Response from Department of Administration Procurement Division.....	25



---

## Summary

---

In February 1998, the County Board authorized the Department of Administration (DOA) Procurement Division to institute a pilot purchasing card program. Based on successful results of the pilot program, the Procurement Division was granted authority by the County Board in January 2000 to expand the program to all County departments. Purchasing card activity totaled \$3.3 million in 2001 with over 300 active cardholders County-wide.

Central administration of the purchasing card program rests with the Procurement Division regarding initial set-up of the cards, training and any subsequent changes or replacements to existing cards. At the same time, however, program administration is decentralized with individual County departments and their respective department card coordinators. The department card coordinators and cardholder supervisors assume a vital role in the program since they are responsible for reviewing all card purchases by cardholders in their department. Due to the volume of transactions and the varied needs of departments, neither the DOA Procurement Division nor Accounts Payable oversee or review individual purchases of County cardholders.

### **Purchasing Card Authorizations**

Initial purchasing card set-up forms are administered by the Procurement Division. Our review of 357 cardholder folders in the Procurement Division showed:

- Fifteen employee agreement forms (4%) did not have the required department head authorizing signature;
- Twenty-eight cardholder folders (8%) were missing the required department card authorization memo;
- Seven department card authorization memos (2%) were not signed by the department head as required;
- The Procurement Division's files of active cardholders agreed with the fiscal intermediary's (bank's) list of cardholders.

### **Department Review of Card Transactions**

After initial set-up, the County's purchasing card program relies entirely on a decentralized set of controls at the department level. One of the key department controls is a monthly supervisory review and approval of the cardholder's log of card transactions. Based on a sample of 90 transactions totaling \$26,831, 37 (41%) totaling \$17,192 (64%) did not have approving supervisor

signatures as required. Further , we found additional cardholder transactions indicating that three County organizations were not following this key supervisory approval control on a department-wide basis. As a result, transactions totaling \$530,000 were not subject to supervisory review and approval.

### **Unauthorized Purchases**

Purchasing card policies and procedures define different types of purchases that are unauthorized. Our review of 90 card transactions resulted in identification of a number of unauthorized purchases including: 13 transactions violated the \$1,000 single transaction limit by 'chaining' two separate purchases for a single item; 16 transactions had insufficient documentation supporting purchases; four transactions violated the personal purchases policy; three transactions violated the usage of cards to pay for meals, travel or entertainment; and four transactions incorrectly resulted in payment of State sales tax. These examples are a further indication that meaningful supervisory reviews of purchases are not always being performed by County departments.

### **Tracking Disadvantaged Business Enterprise (DBE) Purchases**

Purchasing card transactions totaled \$3.3 million County-wide in 2001. Currently, there is no tracking regarding what percentage of those purchases were made to DBE vendors.

### **Conclusion**

Overall, the County's purchasing card program has realized some efficiencies in reducing departmental purchase orders, reducing the workload in DOA Accounts Payable, limiting the amount of paperwork and increasing the efficiency in acquiring goods and services. However, at the same time, it appears controls over some purchases are being compromised and purchases are not being tracked for DBE participation.

We appreciate the cooperation of the Procurement Division staff and department purchasing card coordinators as we conducted this audit. A response from the Procurement Division is presented as **Exhibit 3**.

---

## Background

---

In February 1998, the Milwaukee County Board of Supervisors adopted a resolution (File No.98-97) authorizing the Department of Administration (DOA) Procurement Division to implement a pilot purchasing card program. The pilot program initially began with the Milwaukee County Sheriff's Department and the Department of Parks, Recreation and Culture with the understanding that the program would be eventually expanded to all County departments following a successful period of three to six months.

According to the Milwaukee County Purchase Card Program Policy & Procedures Manual:

"The purpose of the Purchase Card Program for Milwaukee County is to establish a methodology for use and to define the limits of use of Milwaukee County issued purchase cards provided to designated personnel in order to make purchases of goods and/or services. The purchasing card and associated services is intended to streamline payment procedures and reduce the administrative burden associated with the current departmental purchase order (DPO) limit. The purchase card is not intended to replace [purchase order] releases (PG's) and all price agreements currently in place shall continue to be used...."

DOA goals and objectives of the program were to provide an alternative to the use of departmental purchase orders (DPOs) for small dollar purchases. The expected benefits included:

- Reduced paperwork.
- Increased efficiency in acquiring goods and service.
- Reduced time for vendor payments.
- Improved vendor relationships.

The initial resolution authorized the Procurement Division to accept the proposal submitted by CoreStates Bank of Delaware. Since then, the ownership of the bank changed and the new intermediary became First Union and subsequently MBNA. This latter firm served as the County's fiscal intermediary and credit card issuer through August 2001.

The Procurement Division of DOA administers the program, i.e. set-up cards, training, changes or replacements to existing cards. Procurement also acts as the County's liaison with the fiscal intermediary. However, neither the Procurement Division nor Accounts Payable is responsible for monitoring or reviewing purchase card transactions.

The County's purchasing card program relies on a decentralized set of controls at the department level. One of the key departmental controls, as developed and published by the Procurement Division, is a monthly supervisory review and approval of a cardholder's log of purchasing card transactions. The supervisor's approval of the log affirms that the cardholder was authorized to make the documented purchases.

Also, all County departments participating in the purchase card program must reconcile, on a monthly basis, cross-charges from the Department of Administration for payment of purchasing card charges with the department's individual cardholder transaction records.

The program was implemented in February 1999 with two departments using the purchasing card in the pilot program, the Sheriff's and Parks Departments. Under the pilot program and through June 2000, purchases with the purchase card were limited to \$500 per transaction.

In January 2000, the purchasing card program was granted the authority to expand the program County-wide. The County Board also directed the Department of Audit to conduct an audit within a year regarding the controls in place, during the pilot program, to prevent abuses of the purchasing card.

In June 2000, the Department of Audit released an audit of controls associated with the County's purchasing card program. As part of that audit, we reviewed purchases and other specific transactions. Our report included recommendations to strengthen the program and recommended that purchasing card policies and procedures be incorporated into the County's Administrative Manual and that purchasing card documentation be retained for the standard seven-year retention period.

At the same time the Purchasing Administrator agreed with the audit recommendations, the Division recommended and received approval for expansion of the authority granted by the County Board in January 2000. As a result, the single transaction limit was increased from \$500 to \$1000 effective July 1, 2000. This made the limit equal to the present Department Purchase Order limit of \$1,000.

Also, in July 2000, the Procurement Division received approval by the County Board to negotiate the price on certain selected price agreements where in their opinion, it would be cost effective to make such arrangement. An example of this is express mail services where the charges are \$10



per letter, making it more cost effective to process each of these similar transactions on the purchase card rather than a paper document.

The County's contract with MBNA expired in August 2001. In order to continue the purchasing card program without interruption, the Procurement Division put out a Request For Proposal (RFP) in February 2001 and selected a new vendor in June 2001. On September 1, 2001, US Bank (formerly Firststar) became the County's new fiscal intermediary.

The size of the program has increased significantly since the inception of the pilot program. The pilot program in 1999 involved 62 active cardholders. As of February 2002, there were 304 active cardholders. The number of participating County departments has also increased from two in the pilot program to over 30 in February, 2002 (see **Table 1**).

The dollar amount of purchasing card activity in 2000 increased to \$1.5 million, over 261%, from 1999. In addition, the number of purchase card transactions increased over 210% from 1999 to 2000. We also noted that about 50% of all card transactions in 2000 were for \$100 or less, which is consistent with the prior year. In 2001, purchasing card activity totaled \$3.3 million, an increase of 113% from the prior year.

**Table 1**  
**Milwaukee County Cardholder Status**  
**As of February, 2002**

<u>Department</u>	<u>Active Cards Issued</u>	<u>Inactive Cards</u>	<u>Total Cards</u>
Parks	60	19	79
Public Works (includes Facilities Mgmt., Fleet, Highway, Airport, Economic Development, and Administrative Services Divisions)	66	13	79
Zoo	50	4	54
Sheriff (includes Helicopter Division)	27	20	47
DHS (includes Operations and Mental Health Divisions)	34	5	39
DOA (includes County Health Program, DBD, Procurement, Risk Management, IMSD, Fiscal Affairs and Housing Divisions)	19	3	22
Department on Aging	11	1	12
House of Correction	10	0	10
County Board	4	3	7
Audit Department	1	0	1
County Executive (includes Persons with Disabilities Department)	5	2	7
Ethics and Personnel Review Boards	2	2	4
Medical Examiner's Office	4	0	4
Children's Court Center	3	0	3
Clerk of Circuit Court	2	0	2
District Attorney's Office	2	0	2
Child Support Enforcement	1	0	1
Corporation Counsel	1	0	1
Treasurer's Office	<u>2</u>	<u>0</u>	<u>2</u>
Total	304	72	376

---

## Section 1: Purchasing Card Authorizations

---

Central administration of the purchasing card program rests with the Department of Administration (DOA) Procurement Division regarding initial set-up of the cards, training and any subsequent changes or replacements to existing cards.

According to current program policies and procedures, employee agreements authorizing a purchasing card must be signed by the employee's department head. Policies and procedures also require that each cardholder have a separate authorization memo on file signed by the department head. Both of these authorizations should be on file in the Procurement Division.

Our review of 357 cardholder folders in the Procurement Division showed: 15 employee agreement forms (4%) did not have the department head's signature; 28 cardholder folders (8%) were missing the authorization memo; and seven memos (2%) did not include the department head's signature (approval). Many of the agreement forms and authorization memos missing the department head signature were, instead, signed by a department administrator. While it may be appropriate for department heads to delegate purchasing card authorization to high-level administrators, there is currently no provision in the policies and procedures to do so.

**Initial set-up and proper authorization of purchasing cards is a crucial first step in the overall control process.**

Initial set-up and proper authorization of purchasing cards is a crucial first step in the overall control process. Therefore, to help ensure purchasing card issuance is limited to authorized individuals, we recommend the Procurement Division:

1. *Revise the purchasing card policies and procedures to allow for limited delegation of purchasing card authorization. Require that both authorization forms be on file and properly approved by the respective department head or authorized designee before processing a new*

*purchasing card request. Required authorization forms should be maintained by the Procurement Division.*

### **Reconciliation of County Cardholders**

As of July 12, 2001, there were 357 purchasing cards issued by Milwaukee County since the inception of the program. Of these 357 cards, 309 were active and 48 were inactive (closed). We compared the County's fiscal intermediary's list of authorized cardholders with the files of cardholders located at the Procurement Division. The fiscal intermediary's list of cardholders agreed with the Procurement Division's list.

---

## Section 2: Purchasing Card Transaction Review by Departments

---

The County's purchasing card program relies on a decentralized set of controls at the department level. Neither the Procurement Division nor Department of Administration Accounts Payable oversee or review card purchases.

As part of this follow-up audit, we selected 60 card transactions for review. The 60 transactions, totaling \$21,257, were selected from four of the County's larger departments (Parks, Zoo, Public Works and Sheriff). In reviewing the total population of card transactions, we also selected another 30 transactions totaling \$5,574 that appeared questionable in nature. This resulted in a total sample of 90 transactions totaling \$26,831.

**One of the key department controls is a monthly supervisory review and approval of the cardholder's log of card transactions.**

According to purchasing card policies and procedures, as developed and published by the Procurement Division, one of the key department controls is a monthly supervisory review and approval of the cardholder's log of card transactions. The approving supervisor's signature/approval of a cardholder's monthly statement indicates the cardholder was authorized to make those purchases and that purchases were made in accordance with all applicable purchasing card procedures. This is the most important control in the program's decentralized control process.

Based on our sample of 90 transactions, 37 purchases (41%) totaling \$17,192 (64%) did not have approving supervisor signatures as required. Some supervisors, due to either misunderstanding of their responsibilities or time constraints, are passing this approval responsibility onto the department's purchasing card coordinator. However, in larger departments, the purchasing card coordinator does not have enough first-hand knowledge to provide meaningful approval for all transactions.

### **Department-Wide Control Missing**

As a result of our sample review, we found additional transactions totaling \$532,140 indicating that the Department of Public Works Fleet (\$353,074) and Airport (\$160,448) Divisions and the Zoo (\$18,618) were not following this key supervisory approval control on a department-wide basis.

**The letters to departments requested immediate corrective action to strengthen controls.**

As we identified these breakdowns in controls, we sent letters to the appropriate department heads and administration within the three organizations (see **Exhibit 2**). The letters requested immediate corrective action to strengthen controls and comply with required card procedures. We received written responses from each department that provided corrective measures for performing and documenting appropriate supervisory approval.

To improve departmental oversight of a documented supervisory review and approval of purchasing card transactions, we recommend the Procurement Division:

2. *Emphasize with department card coordinators, through program training and/or informational materials, areas of responsibility so that all program participants understand the importance of the supervisory transaction approval. Further, the Purchasing Administrator take additional action deemed appropriate to enforce compliance with procedures.*

We also recommend:

3. *County departments assume responsibility for their purchasing card transactions so that required controls are being followed. (The Department of Audit will forward copies of this audit report to County departments for corrective actions, where appropriate.)*

---

## Section 3: Unauthorized Purchases

---

### **Unauthorized purchases are defined in the policies and procedures.**

According to purchasing card policies and procedures regarding use, the card shall not be used for unauthorized purchases. Unauthorized purchases as defined in the policies and procedures include the following:

- Personal purchases or identification.
- A single purchase that exceeds \$1,000.
- Meals, travel or entertainment expense.
- Cash advances.
- Telephone calls/monthly service.
- Goods currently covered by a price agreement except those identified and designated for Purchasing Card use by the Procurement Division.
- Outstanding invoices for goods and services previously received.

Of the 90 purchase card transactions reviewed for compliance with purchasing card policies and procedures, we found several violations. These findings are a further indication that meaningful supervisory reviews of purchases are not always being performed by departments. Specifically:

- Thirteen transactions (14%) of our 90 sample group violated the \$1,000 single transaction limit by 'chaining' two separate purchases for a single item. For example, two back-to-back transactions for \$539.50 each for repairs on a Sheriff's Department vehicle were supported by one invoice for \$1,079.
- Sixteen transactions (18%) from our sample did not have any or had insufficient documentation supporting purchases made. Lack of documentation for each purchase is a direct violation of policies and procedures. According to the purchasing card policies and procedures, if the cardholder does not have documentation of a transaction listed on a monthly statement, the cardholder shall attach a description of the item(s) purchased, the date of the purchase, the vendors name and the reason for the lack of documentation.

**The card was used  
inappropriately to pay  
for lodging expenses.**

“These exceptions shall be held to a minimum or the card may be revoked.” For example, the Department of Public Works used a card to reimburse contract employees mileage and cell phone expenses that were not fully supported by appropriate documentation.

- Four transactions (4%) violated the personal purchases rule. These transactions were attributed to accidental misuse and in one of those situations the card was used to obtain cash. The cardholders reimbursed the County.
- Three transactions (3%) of the sample group violated the usage of cards to pay for meals, travel or entertainment. For example, three deputy sheriffs in transporting prisoners to another location incurred hotel charges for two nights lodging. The charges (\$416) were billed to the Sheriff's Department and paid using another employee's purchasing card.
- Four transactions (4%) incorrectly paid Wisconsin state sales tax on the purchases.
- Two transactions (2%) had a single violation in the following areas: A cardholder did not document the use of an established price agreement rate for a purchase; and a card was used to set up an internet account online to purchase an item through an internet auction site. Using a purchasing card to set up an account online for a payment provider service raises a number of accountability and security related questions.
- Two transactions (2%) were vendor credits totaling \$635. These credits resulted from the improper use of the purchasing card for prior invoices. Both of these invoices were previously billed for and paid through Department of Administration Accounts Payable while also paid again by the cardholder through their purchasing card. This resulted in the double payment of the invoices and subsequent vendor credit.
- Three transactions (3%) involved the use of the purchasing card for work related registration for educational/seminar expenses. According to DOA Accounts Payable, these expenses should be avoided because they could also be reported and reimbursed through a travel and expense report, thereby allowing employees the opportunity to 'double dip' i.e., pay for and receive reimbursement for one cost through two different methods.

Policies and procedures state that:



**Unauthorized card use is subject to permanent removal of card privileges.**

“A Cardholder who uses the county card for personal or unauthorized purchases shall be subject to the following actions:

- One (1) instance of personal use or unauthorized purchase(s) will result in a warning, by their department to the employee.
- Two (2) instances of personal use of unauthorized purchase(s) will result in an automatic and permanent removal of card privileges.

The cardholder will also be subject to disciplinary action up to and including termination in accordance with Milwaukee County regulations, policies and procedures.”

In addition, we found one example of the questionable use of a card involving the purchase of food items for a department-sponsored employee and retiree recognition event within the department. The entire cardholder receipt log for the month was for food and related items for the same event. Total cost of the items was \$395.

Based on our review of purchasing card records in each of four departments, we found only two instances of a documented warning pertaining to the employee’s unauthorized purchase card use. Without documented warnings of misuse in the purchase card files there is no way to identify the number of instances of unauthorized card use or whether or not unauthorized use was identified.

The purchasing card program’s decentralized control system is only as strong as departments’ efforts in monitoring and reviewing their department’s cardholder transactions. To improve card controls, we recommend the Procurement Division:

4. *Expand the purchasing card policies and procedures manual to include more specific explanations and examples of those card purchases that are not allowed under present administrative policy, i.e. personal, meals,*

*travel, and entertainment. Registration fees for conferences/seminars should be added to the list of prohibited expenditures. Coordinate with DOA Accounts Payable in determining what types of purchases are prohibited.*

5. *Include in the purchasing card policies and procedures specific requirements for departments to document all warnings, whether verbal or written, of an employee's unauthorized purchase card use in both the department's purchasing card record and employee file and forward this information to the Procurement Division for retention in their file. In addition, departments should write letters documenting the instances of personal use identified in this report and forward copies to the Procurement Division.*

We also recommend:

6. *The Purchasing Administrator take additional action deemed appropriate to enforce compliance with procedures.*
7. *County departments assume a more proactive responsibility for monitoring purchasing card transactions made in their department so that unlawful purchases are not permitted and required controls are being followed. (The Department of Audit will forward copies of this audit report to County departments for corrective actions, where appropriate.)*

### **Purchasing Card Transaction Log**

**All card transactions must be recorded in the cardholder's purchasing log.**

According to purchasing card policies and procedures, all card transactions must be recorded in the cardholder's purchasing log. The log is included as an attachment in the policies and procedures.

On a monthly basis, the cardholder checks each transaction recorded on the log against the monthly statement of transactions from the bank. The original sales documents for all items listed on the monthly statement must be neatly attached, in purchasing log sequence, to the statement. After this review, the cardholder signs the log and presents the log, supporting sales receipts, and the monthly bank statement to the approving supervisor for approval and signature. The log information is

critical for the approving supervisor to properly substantiate the appropriateness of the transactions.

**The log form is being altered by some departments.**

Based on our sample of transactions, we found that the log form is being altered by departments to add information that may not be relevant. Subsequently, other information is left off that is needed to properly monitor cardholder purchases. The log form includes a 'comments' box which is useful when used to record the purpose of a specific purchase, especially those purchases of a potentially questionable nature (i.e. food, travel or entertainment). However, on many of the logs we reviewed, the comments box was left blank.

Part of the problem in using the log properly, is that the log is not an official County form. In addition, although the purchasing log is mentioned during initial training for new cardholders, greater emphasis must be placed on the proper use of the form. Therefore, to make the log form a more meaningful monitoring tool for departments, we recommend the Procurement Division:

8. *Incorporate the purchasing card transaction log form in the County's Administrative Manual as an official County form.*
9. *Place greater emphasis on the proper use of the form during purchasing card training sessions including specific direction to use the 'comments' section of the form to record the purpose of specific non-routine purchases.*

---

## Section 4: Tracking Disadvantaged Business Enterprise (DBE) Purchases

---

**Card transactions totaled \$3.3 million in 2001.**

Purchasing card transactions/purchases totaled \$3.3 million County-wide in 2001. Currently, there is no process in place to track what percentage of those purchases were made from DBE vendors.

As noted previously, the purchasing card program has evolved as an off-shoot or partial relief to the long-standing department purchase order (DPO) paper process. DBE participation in DPO purchases is currently being captured at year-end from the Advantage system and reported collectively by Procurement Division as one of its performance measurements and is also reported by the Division during its annual budget process. For 2001, DPO purchases totaled \$4 million with \$134,118 (3.3%) being DBE purchases. Although Procurement Division is able to collect this information from the County's Advantage system and report it after-the-fact, the Division does not control DBE participation in DPO purchases. That responsibility is at the department level where DPOs originate.

**There is no requirement for cardholders to track DBE related purchases.**

Purchasing card transactions also originate at the department level. The purchasing card log form includes a column labeled "Minority Firm Yes – No". According to the Procurement Division, the column is intended to be a reminder to cardholders regarding DBE participation. Currently, however, there is no requirement for cardholders to track DBE related purchases. As a result, the column is not being filled out. In fact, based on some of the logs we reviewed, the minority firm column is being deleted from the log form by departments. As a result, there is no audit trail available to verify such information.

The lack of an information trail is complicated further due to the fact that the County's fiscal intermediary is paid by one County

check, once a month for all County purchases. The Department of Administration then cross-charges departments for their respective share of card purchases. As a result, there is no vendor DBE participation detail available in the County's Advantage system or DOA Accounts Payable.

According to the Procurement Division, the County's new fiscal intermediary, which issues the purchasing card, has provided the County with the capability of summarizing purchases, by vendor, on-line via the internet. Therefore, the DOA Disadvantaged Business Development (DBD) Division could periodically summarize DBE purchases made with departmental purchasing cards. Further, the DBD Division could promote such purchases by providing continuously updated DBE certified vendor lists to departments using the County's internal Lotus Notes communication network.

To promote DBE participation when using the purchasing card we recommend the Department of Administration:

10. *Coordinate the efforts of the Procurement and DBD Divisions in developing a process to promote, track and report DBE participation when using the purchasing card.*

---

## Section 5: Sharing Cards

---

### **Fleet employees charged purchases on a regular basis to each others' cards.**

In our attempts to reconcile total purchases to individual cardholders, we could not reconcile card activity because the Department of Public Works Fleet Division employees charged purchases on a regular basis to each others' cards. This occurred primarily in the Fleet's parts department. According to staff, this practice has been ongoing since the initial implementation of the card program at the Division.

Purchasing card policies and procedures state, "The unique purchasing card that the Cardholder receives has his/her name and account number embossed on it and shall ONLY be used by the Cardholder. NO OTHER PERSON IS AUTHORIZED to use that card. The Cardholder may make transactions on behalf of others in their department. However, the Cardholder is responsible for all use of his/her card."

According to staff at Fleet, cards were shared in order to:

- Lessen the amount of charges that one cardholder would otherwise need to reconcile at the end of the month since many of the purchases made are repetitive.
- Facilitate ordering of multiple items from the same vendor.
- Expedite ordering when an employee is not available to place the order themselves.

Due to multiple users of various cards, monitoring and control reviews of card transactions and individual cardholder accountability is significantly reduced. This practice also reduces the ability of the approving supervisor to reconcile individual cardholder account activity.

To improve controls associated with purchasing card monitoring efforts, we recommend Procurement Division:

11. *Work with DPW Fleet Division to bring card use into compliance with stated policies and procedures. If appropriate, consider other purchasing methods besides the card to meet Fleet's purchasing needs. In addition, the Purchasing Administrator should take additional action deemed appropriate to enforce compliance with procedures.*

**THIS PAGE INTENTIONALLY LEFT BLANK**



## **Audit Scope**

In June, 2000 the Department of Audit issued an audit report regarding Purchasing Card controls. At that time, the County Board asked that the Department of Audit perform a follow-up audit. Our follow-up audit focused on the status of purchasing card administrative controls in place at Procurement Division and operating controls in place at County departments. The audit was conducted with standards set forth in the United States General Accounting Office *Government Auditing Standards*, with the exception of the standard related to periodic peer review. It is anticipated our next peer review will be conducted in 2004. We limited our review to the items specified in this Scope section. During the course of this audit we:

- Reviewed Department of Administration Procurement Division's implementation of prior audit recommendations;
- Reviewed DOA Procurement Division files for applicable cardholder and department documentation;
- Reconciled the fiscal intermediary list of County cardholders for a select period of time with cardholder documentation furnished by DOA Procurement Division;
- Reviewed DOA Accounts Payable records for payments made to the fiscal intermediary and analyzed card use by department;
- Compiled a list of all County purchase card transactions from the fiscal intermediary, as furnished in their monthly statements, and analyzed cardholder transactions by established dollar thresholds;
- Reviewed sample transactions for supporting documentation, appropriateness of purchases and compliance with purchasing card policies and procedures;
- Reconciled sample transactions in monthly reports and statements furnished by the fiscal intermediary with actual purchase documents retained by County departments;
- Interviewed Procurement Division personnel, County Controller, Department Card Coordinators and various Department supervisors and staff regarding purchasing card use and related policies and procedures;
- Reviewed other government organizations' audits and reports regarding purchasing card program policies and procedures.